

## **APPENDIX VI**

### **MINIMUM REQUIREMENTS FOR COMPUTERIZED INVENTORY SYSTEMS**

There are certain minimal State standards which must be incorporated in computerized inventory systems. Therefore, before any computerized inventory system is implemented by an agency, it must be approved for use by the Department of General Services.

Agencies must insure that the minimum State requirements are contained in the software they choose. The agency must submit the system design and specifications to the Inventory Standards and Support Services Division for approval prior to programming.

#### **CAPITAL EQUIPMENT:**

##### **A. Data Requirements**

1. The minimum data element requirements are set forth in Section II .04 A.
2. Additionally, the following data shall be recorded for each item:
  - a. Sensitive item designation - Usually a one position field (S)
  - b. Accountable Officer designation - Name, initials, title or account code

##### **B. Reporting Requirements**

The system should be able to retrieve the following reports:

1. Items by Property Identification (tag) Number:
  - a. All items for the entire facility
  - b. All items by Accountable Officer
  - c. Sensitive only items for the entire facility
  - d. Sensitive only items by Accountable Officer
  - e. Non-sensitive only items for the entire facility
  - f. Non-sensitive only items by Accountable Officer
2. Physical Inventory Reports:
  - a. Items not found during physical inventory
  - b. Items found, but not recorded on inventory files
  - c. Final reconciled list of inventoried property
3. Property acquired within a given time frame for the entire facility and by Accountable Officer.

4. Property disposals within a given time frame for the entire facility and by Accountable Officer.
5. Register of changes and/or updates to inventory data bases (Audit Trail).

C. Control Accounts

Control accounts may be computerized, but must be maintained separately from the inventory computerized inventory system, and by different personnel.

D. Bar Coding Logic

The use of bar code and other electronic sensing media for identifying and inventorying State property is not a minimum State requirement, but is encouraged. It must be recognized however, that the only use of a bar coded identification labels is to assist in taking physical inventories. Bar code scanners can only read small amounts of encoded information. Files must be built and maintained, property ID labels must be applied and all other capital inventory paperwork and functions must be accomplished whether or not bar codes are used. The advantages of using bar codes are:

- Inventory taking is much faster.
- Inventories can be taken by relatively inexperienced personnel.
- Inventories are impartial and nonjudgmental. The scanner can only record what it reads.
- The state-of-the art is such that in most cases, physical inventories are not disruptive. Personnel in the area may not even be aware that a physical inventory is in progress.

1. Property Identification Labels

For inventory purposes, it is not necessary that the bar code software be able to encode and generate property tags. Unless specialized printers are acquired, it may not be possible to print on anything other than untreated paper which is not acceptable for labeling equipment items (See Section II and Appendix V). The purchase of preprinted property tags of an acceptable material is recommended

2. Logic

The bar code software must have the ability to:

- a. "Download" and decode information (property ID numbers) from a bar code reader or scanner into a sequential transaction type file.
- b. Match the downloaded data with the inventory master file and cause the physical inventory date in the master file to be updated.
- c. Create a temporary file of downloaded property ID numbers for which no matching inventory master records are found.
- d. Create a temporary file of inventory master records for which no matching downloaded property ID numbers are found.
- e. Print reports of unmatched data. (See B 2 (a) & (b) above.)

### **MATERIALS AND SUPPLIES:**

- A. In addition to the data element requirements in Section II .05.A (3), the following are required for each commodity item:
  1. Demand type - How often the item will be ordered.
  2. Lead time - How long it takes from the time a purchase order is created until the material is delivered.
  3. Stocking levels - Based on demand type; the maximum quantity allowed on hand, the minimum quantity allowed on hand, and the quantity at which the item should be reordered. Safety stock may be factored into these quantities.
  4. Safety stock - The quantity required to insure that there will be sufficient stock on hand to cover the lead time period and prevent a "stock out" situation.
  5. Investment Analysis and Performance Monitoring Control Data - These are a variety of data elements and equations used to control materials and supplies inventories.

- B. Additional Logic Requirements

The system should also incorporate logic for the following:

1. Automatic Reorder Notices
2. Cycle Count Logic
3. Inventory ABC Classifications and ordering strategies

4. Investment Analysis and Reporting
5. Overstock and unused stock notices
6. Stock usage history
7. Transaction Listings and audit trail
8. Stock room catalogs
9. Individual item status inquiries
10. Ad Hoc Management reporting, if required by agency management

C. Review and Assistance

1. The DGS Inventory Standards and Support Services Division will provide detailed logic requirements and formulae for all the above listed computerized system requirements.
2. Regardless of the software an agency chooses to operate its computerized inventory systems, the Inventory Standards and Support Services Division staff will be available for consultation and technical assistance. Contact the Division at 410-767-0587.